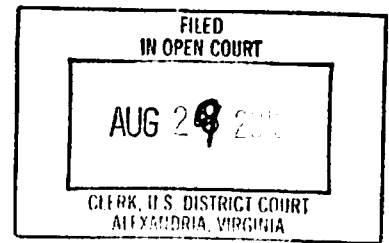


UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA

Alexandria Division



UNITED STATES OF AMERICA

v.

ANDRIY DERKACH

Defendant

Criminal No. 1:12-cr-522

Hon. Anthony J. Trenga

STATEMENT OF FACTS

The United States and the defendant, Andriy Derkach, agree that had this matter proceeded to trial, the United States would have proven the following facts in the Eastern District of Virginia and elsewhere beyond a reasonable doubt:

1. From as early as January 2009 through as late as June 2009, defendant Andriy Derkach, together with co-conspirator Mikhail Rytikov, operated an on-line “dumps-checking” service whereby, for a fee, customers could check batches of stolen credit, charge, and debit card numbers (collectively, “payment card numbers”) to confirm which accounts were still active and valid so that further fraudulent transactions and charges could be made to the payment cards belonging to victims.

2. Dumps-checking – checking whether a payment card number is still valid – is important to individuals intending to engage in fraud. An active and valid payment card number belonging to a victim can be used to obtain money, goods, and services, while a payment card number that has been reported lost, stolen, or compromised, has likely been blocked from further transactions, and subsequent attempts to use it may attract the attention of law enforcement.

3. The dumps-checking server, which was located outside the Eastern District of Virginia, worked generally by pairing stolen payment card numbers with random merchant ID

numbers, and sending the information across international or interstate wires to legitimate payment gateways to mimic real purchasing transactions. As part of processing a purchase transaction, the payment gateway would check, among other things, the status of the payment card number, and return that information to the source of the request – typically the merchant. It was this response information from the payment gateway, describing the status of the payment card, which defendants Andriy Derkach and Mikhail Rytikov fraudulently obtained and sold to their customers in furtherance of additional fraudulent payment card transactions.

4. Defendant Andriy Derkach operated the dumps-checking service on a day-to-day basis, advertised his services to bulk-check the validity of payment cards online (100 checks for \$25, 300 checks for \$60, and 1,000 checks for \$150), and collected fees from dumps-checking clients. Co-conspirator Mikhail Rytikov provided hosting and technical support services as well as advice to defendant Derkach. Co-conspirator Rytikov specialized in “bullet-proof hosting” in which he attempted to evade law enforcement detection and identification through various techniques, including: frequently changing the location of servers; erasing their contents on short notice; using false information to register and lease servers; discouraging Internet Service Providers from disconnecting servers suspected of illegal activity; and locating servers in countries where law enforcement is less likely to interfere with them.

5. Defendant Andriy Derkach’s dumps-checking server, in processing queries, connected to various computers and computer systems in the United States, including computer systems owned by Visa Inc., located in Ashburn, Virginia, in the Eastern District of Virginia.

6. To coordinate and execute their scheme, defendant Andriy Derkach and co-conspirator Mikhail Rytikov communicated among other means through a server located in the

Eastern District of Virginia and belonging to ICQ, an instant messaging service of America Online, Inc.

7. In all, from as early as January 2009 through as late as June 2009, defendant Andriy Derkach and co-conspirator Mikhail Rytikov used the dumps-checking server to check and to store approximately 1,800,000 unique payment card numbers along with victim cardholders' personal identifying information and addresses, including those of victims residing in the Eastern District of Virginia. These payment card numbers belonged to cards branded with the Visa, MasterCard International Incorporated ("MasterCard"), American Express Company ("American Express"), and Discover Bank credit card logos, and issued by other United States financial institutions and entities including Capital One Bank, headquartered in McLean, Virginia, in the Eastern District of Virginia. To date, fraud losses attributable to the American Express payment card numbers checked and stored by the dumps-checking server have exceeded \$12,000,000.

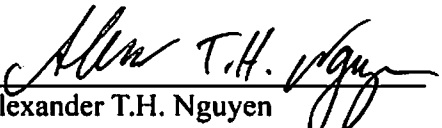
8. On or about January 14, 2009, defendant Andriy Derkach, knowingly and with intent to defraud, accessed the Visa servers in the Eastern District of Virginia without authorization, and by means of such conduct furthered the intended fraud and obtained something of value, which was information regarding the status and validity of a Visa payment card number ending in 0763.

9. The dumps-checking server contained over 580,000 MasterCard payment card numbers and over 1,000,000 Visa payment card numbers.

10. The statement of facts includes those facts necessary to support the defendant's guilty plea. It does not include each and every fact known to the defendant or to the government and it is not intended to be a full enumeration of all of the facts surrounding the defendant's cases.


11. The actions of the defendant, as recounted above, were in all respects knowing and intentional, and were not committed by mistake, accident or other innocent reason.

Neil H. MacBride
United States Attorney

By: 
Alexander T.H. Nguyen
Assistant United States Attorney
James Silver
Trial Attorney, U.S. Department of Justice
Computer Crime & Intellectual Property Section

Defendant's Signature: After consulting with my attorney, I hereby stipulate that the above Statement of Facts is true and accurate and that had the matter proceeded to trial, the United States would have proved the same beyond a reasonable doubt.


Date: August 29, 2013



Andriy Derkach
Defendant

Defense Counsel Signature: I am Andriy Derkach's attorney. I have carefully reviewed the above Statement of Facts with him. To my knowledge, his decision to stipulate to these facts is an informed and voluntary one.

Date: August 29, 2013



Jeffrey Daniel Zimmerman, Esq.
Counsel for the Defendant